



BACK ACRE HOP FARMS, INC.



OCTOBER 23, 2003

U. S. DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

JUDGE

YOUR HONOR,

AS A MATTER OF INSTRUCTION MY NAME IS PAUL SERRES, I AM A OREGON HOP GROWER PRODUCING HOPS IN WOODBURN, OREGON. OUR FAMILY HAS GROWN HOPS CONSECUTIVELY THE PAST 64 YEARS, 39 OF WHICH I HAVE BEEN DIRECTLY INVOLVED. OUR FAMILY FARM GRADUALLY GREW TO A SIZE OF 775 ACRES IN THE LATE 80'S AND REMAINED THAT SIZE UNTIL THE MID 90'S. AT THAT TIME NEW "SUPER HIGH ALPHA VARIETIES" WERE BEING PLANTED^{in Washington} AND I AND OTHER OREGON GROWERS WERE NO LONGER COMPETITIVE IN THE PRODUCTION OF HOP ALPHA ACID. THE NEW VARIETIES WHICH YIELDED NOT ONLY MORE PRODUCTION IN POUNDS BUT ALSO A INCREASE IN PERCENT OF ALPHA ACID, THESE^{varieties} WERE NOT PUBLIC VARIETIES, THEY WERE PROPRIETARY IN NATURE AND NOT DESIGNED TO GROW IN THE WILLAMETTE VALLEY. RECOGNIZING THESE FACTS AND WATCHING WASHINGTON GROWERS SCRAMBLE TO CONVERT THEIR ACREAGE TO THE NEW HIGHER YIELDING VARIETIES WAS A TURNING POINT IN MY CAREER. BURNING EQUITY TO MAINTAIN MARKET SHARE HAS NEVER BEEN APPEALING TO ME. IT WAS TIME TO ADJUST. WE REDUCED OUR ACREAGE, CHANGED SOME OF OUR VARIETIES, AND DID NOT TRY TO PRODUCE WHAT WAS NOT NEEDED. TODAY WE ARE A VERY SMALL GROWING ENTITY PRODUCING ONLY 100 ACRES OF AROMA HOPS. IN ADDITION TO RAISING HOPS WE GROW GRASS FOR SEED AND RUN A MANUFACTURING BUSINESS WHICH PROVIDES PARTS AND MACHINERY TO THE HOP GROWING INDUSTRY.

MY PURPOSE TODAY IS^{To} ESTABLISH FOR THE RECORD MY CONCERN FOR THE FUTURE OF THE U.S. HOP INDUSTRY. IN MY OPINION THE INDUSTRY IS IN DEEP TROUBLE. FIRST, I MUST SAY I AM HERE AS A PROPONENT FOR THE PROPOSED FEDERAL MARKETING ORDER AND FEEL THE INDUSTRY AS A WHOLE WILL BE FAR BETTER OFF OPERATING WITH RATHER THAN WITHOUT A F.M.O. I COME HERE TODAY NOT ARMED WITH AN ELABORATE POWER POINT PRESENTATION NOR REAMS OF PAPER FILLED WITH STATISTICS I AM SURE THOSE THINGS HAVE BEEN PROVIDED⁺ ARE PART OF THE RECORD. I AM HERE AS A GROWER WITH A LIFETIME OF EXPERIENCE, HAVING OPERATED BOTH UNDER THE GUIDELINES OF THE LAST F. M. O. AND EVER SINCE IT'S DEMISE WITHOUT ONE.

Ex 46



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AGRICULTURAL MARKETING SERVICE

IT'S A MATTER OF RECORD DURING THE LAST F. M. O. THERE WAS A SMALL GRADUAL INCREASE IN SEASON^{average} PRICE FOR 15 YEARS IN A ROW, WHILE NEVER SHORTING THE INDUSTRY FOR PRODUCT. THERE WAS A TIME WHEN HOP GROWERS SEEM TO HAVE CONTROL OF THEIR DESTINY AND^{we're} THE ENVY OF ALL AGRICULTURE. THAT CERTAINLY ISN'T TRUE TODAY. IN MY OPINION THE F. M. O. ADDED STABILITY TO THE INDUSTRY. I WAS ABLE TO GRADUALLY INCREASE THE SIZE OF MY OPERATION BY RENTING OR PURCHASING QUOTA NECESSARY TO MARKET HOPS.

TODAY, WE ARE FACED WITH NEW AND DIFFERENT PROBLEMS THAN THE INDUSTRY FACED DURING THE LAST F. M. O. WITH IMPROVED PRODUCTION CAPACITY PER ACRE, MORE EFFICIENT PROCESSING EQUIPMENT, INCLUDING HARVEST EQUIPMENT AND DOWNSTREAM PRODUCTS WE SIMPLY DO NOT NEED THE ACREAGE BASE TO SATISFY THE EXISTING DEMAND. SIMPLY PUT WE HAVE EXCESS CAPACITY TO PRODUCE AND THAT COMBINED WITH A MENTALITY THAT NO ^{one} ~~ONE~~ WANTS TO DOWNSIZE OR LOSE MARKET SHARE HAS RESULTED IN THE DILEMMA WE ARE ALL CAUGHT IN TODAY.

A F. M. O. WOULD NOT HAVE PREVENTED SOME OF THE PROBLEMS WHICH WE ARE TRYING TO DEAL WITH NOR WILL A F. M. O. PROVIDE A QUICK FIX TO THE DILEMMA THE INDUSTRY IS IN. TIME AND ECONOMICS WILL RESOLVE THE CURRENT SITUATION. IN MY OPINION THE GREATEST STRENGTH OF THE F. M. O. IS TO PROVIDE LONG TERM STABILITY TO THE INDUSTRY BY PROVIDING ORDERLY CONTROLLED EXPANSION WHEN THE MARKET CYCLE TURNS AROUND. MOST OF US ARE NOT FOND OF REGULATION AND I GET FED UP WITH OVER REGULATION BUT ALSO RECOGNIZE THE NEED FOR REGULATION. BECAUSE OF HUMAN GREED OFTEN TIME THINGS GET OUT OF BALANCE THEN SHORT TERM GREED RESULTS IN TRAGEDY OR THE DESTRUCTION OF THE COMMONS. I SUGGEST YOU READ "THE TRAGEDY OF THE COMMONS" BY GARRETT HARDIN 1968.

THE SOLUTION TO THE INDUSTRY'S PROBLEMS SEEM APPARRENT AND SIMPLE. THE PROBLEM IS THERE IS NO EQUITABLE WAY TO ACHIEVE THEM. IN MY OPINION THE FOLLOWING NEEDS TO BE DONE:

1. REDUCE ACREAGE TO BRING PRODUCTION IN LINE WITH CONSUMPTION.
2. PLACE ANY SURPLUS OR EXCESS PRODUCTION IN A RESERVE POOL WHICH IF NOT NEEDED DURING THE MARKET YEAR IS APPLIED TO THE FOLLOWING YEARS CONTRACT AND ACREAGE REDUCED BY A CORRESPONDING AMOUNT.



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AGRICULTURAL MARKETING SERVICE

3. REDUCE THE NUMBER OF GROWING ENTITIES SO THAT THE REMAINING ENTITIES ARE OPERATING AT 90-100% CAPACITY. THIS WILL ALLOW THEM TO PROVIDE THE END USER WITH A COST EFFECTIVE PRODUCT.
4. RETURN PROFIT TO PRODUCTION.

THE AROMA SEGMENT OF THE MARKET HAS MAINTAINED A REASONABLE BALANCE BETWEEN AVAILABLE SUPPLY AND DEMAND WHICH IS REFLECTED IN FAIR PRICED CONTRACTS BETWEEN BREWERS AND GROWERS. THE ALPHA SEGMENT OF THE MARKET HAS BEEN GREATLY OVERPRODUCED RESULTING IN SURPLUS INVENTORY, DEPRESSED PRICES, AND THE NEED TO CUT OR REGULATE PRODUCTION.

I AM SURE SOME BREWERS AND MERCHANTS HAVE EXPRESSED CONCERN REGARDING VOLUME Control AND IT'S POSSIBLE EFFECT ON PRICE. IT IS NOT THE INTENT OF THE F. M. O. TO EVER SHORT THE INDUSTRY OF SUPPLY BUT SIMPLY TO BRING PRODUCTION AND CONSUMPTION IN CLOSER BALANCE. REGULATING 26% OF THE WORLD CROP WILL HAVE LITTLE AFFECT ON PRICE AND WE MUST REMAIN COMPETITIVE IN THE WORLD MARKET.

THE F. M. O. IS A TOOL WHICH WHEN PROPERLY OPERATED CAN SOLVE SOME OF THE ABOVE PROBLEMS AND PROVIDE STABILITY TO THE INDUSTRY.

IT IS TOO LATE IN MY CAREER TO MAKE A LOT OF DIFFERENCE TO ME BUT FOR THE FUTURE GENERATIONS AND THE FUTURE OF THE HOP INDUSTRY, BOTH WILL BE BETTER SERVED WITH THE F. M. O. IN PLACE.

THANK YOU FOR YOUR TIME AND CONSIDERATION,

PAUL J. SERRES

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